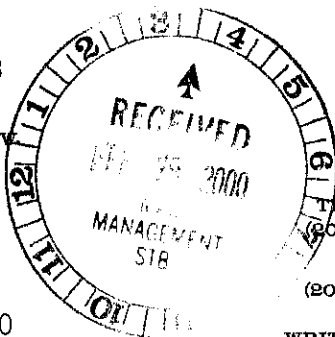


197214

WILLIAM L. SLOVER
C. MICHAEL LOFTUS
DONALD G. AVERY
JOHN H. LE SEUR
KELVIN J. DOWD
ROBERT D. ROSENBERG
CHRISTOPHER A. MILLS
FRANK J. PERGOLIZZI
ANDREW B. KOLESAR III
PETER A. PFOHL
DANIEL M. JAFFE

SLOVER & LOFTUS
ATTORNEYS AT LAW
1224 SEVENTEENTH STREET, N. W.
WASHINGTON, D. C. 20036



TELEPHONE:
(202) 347-7170
FAX:
(202) 347-3619

February 29, 2000

WRITER'S E-MAIL:

jhl@sloverandloftus.com

VIA HAND DELIVERY

The Hon. Vernon L. Williams
Secretary
Surface Transportation Board
Case Control Unit
Attn: STB Ex Parte No. 582
1925 K Street, N.W.
Washington, D.C. 20423-0001

RECEIVED
Office of the Secretary
FEB 29 2000
Part of
Public Record

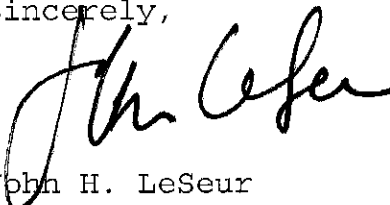
Re: Ex Parte No. 582, Public Views
on Major Rail Consolidations

Dear Secretary Williams:

Enclosed for filing in the above-referenced proceeding are the original and 10 copies of the Comments of Minnesota Power, Inc. Also enclosed is a 3.5-inch diskette containing the text of this letter and the enclosed Comments in WordPerfect 8.0 format.

Please acknowledge receipt of the enclosed filing by stamping and returning to our messenger the enclosed duplicate of this letter.

Sincerely,

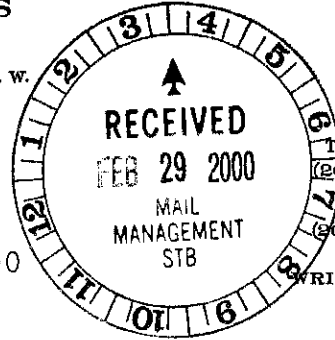

John H. LeSeur

JHL:mfw
Enclosures

157244

SLOVER & LOFTUS
ATTORNEYS AT LAW
1224 SEVENTEENTH STREET, N. W.
WASHINGTON, D. C. 20036

WILLIAM L. SLOVER
C. MICHAEL LOFTUS
DONALD G. AVERY
JOHN H. LE SEUR
KELVIN J. DOWD
ROBERT D. ROSENBERG
CHRISTOPHER A. MILLS
FRANK J. PERGOLIZZI
ANDREW B. KOLESAR III
PETER A. PFOHL
DANIEL M. JAFFE



TELEPHONE:
(202) 947-7170

FAX:
(202) 947-3619

WRITER'S E-MAIL:

February 29, 2000

jhl@sloverandloftus.com

VIA HAND DELIVERY

The Hon. Vernon L. Williams
Secretary
Surface Transportation Board
Case Control Unit
Attn: STB Ex Parte No. 582
1925 K Street, N.W.
Washington, D.C. 20423-0001

UNITED STATES
Office of the Secretary

FEB 29 2000

Part of
Public Record

Re: Ex Parte No. 582, Public Views
on Major Rail Consolidations

Dear Secretary Williams:

Enclosed for filing in the above-referenced proceeding are the original and 10 copies of the Comments of Minnesota Power, Inc. Also enclosed is a 3.5-inch diskette containing the text of this letter and the enclosed Comments in WordPerfect 8.0 format.

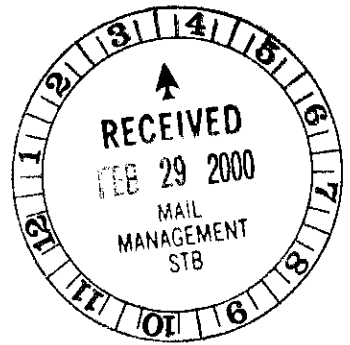
Please acknowledge receipt of the enclosed filing by stamping and returning to our messenger the enclosed duplicate of this letter.

Sincerely,

John H. LeSeur

JHL:mfw
Enclosures

BEFORE THE
SURFACE TRANSPORTATION BOARD



In The Matter Of:)

PUBLIC VIEWS ON)
MAJOR RAIL CONSOLIDATIONS)

Ex Parte No. 582

RECEIVED
Office of the Secretary

FEB 29 2000

Part of
Public Record

COMMENTS OF
MINNESOTA POWER, INC.

MINNESOTA POWER, INC.
30 West Superior Street
Duluth, MN 55802

OF COUNSEL:

Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

By: John H. LeSeur
Peter A. Pfohl
1224 Seventeenth St., N.W.
Washington, D.C. 20036
(202) 347-7170

Dated: February 29, 2000

Attorneys for Minnesota Power, Inc.

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

)	
In The Matter Of:)	
)	
PUBLIC VIEWS ON)	Ex Parte No. 582
MAJOR RAIL CONSOLIDATIONS)	
)	
)	

**COMMENTS OF
MINNESOTA POWER, INC.**

Minnesota Power, Inc. ("Minnesota Power") appreciates the opportunity to present Comments to the Board in this timely and important proceeding.

Identity and Interest

Minnesota Power is headquartered in Duluth, Minnesota and provides retail electric service to 126,000 customers located in northeastern Minnesota. Most of Minnesota Power's electric generation is provided by two coal fired facilities: Boswell and Laskin. Coal used at Boswell and Laskin originates from Wyoming and Montana mines served by the Burlington Northern and Santa Fe Railway Company ("BNSF"). BNSF provides single line service from our coal origins to Minnesota Power's Boswell station. For Laskin deliveries, BNSF hauls Minnesota Power's coal trains to Keenan, Minnesota where the trains are interchanged with the Duluth, Missabe and Iron Range Railway Company ("DMIR") for delivery to Laskin.

Both the Boswell and Laskin plants are situated in Minnesota Power's service territory in northeastern Minnesota. BNSF originates approximately four (4) million tons of coal annually for delivery to Boswell and Laskin.

It is critically important to Minnesota Power that it receive reliable service from BNSF and DMIR at reasonable prices. Without reliable coal transportation service, Minnesota Power's ability to provide reliable electric service to its customers is imperilled. Reasonable prices are critically important, as well, since transportation costs are a major component of the electric prices Minnesota Power charges its customers each month.¹

Rail Consolidation In General

The STB has asked for public comment "on rail consolidation in general." (January 24 Notice at 3). Minnesota Power has actively participated in all recent, major western railroad merger proceedings through its membership in the Western Coal Traffic League ("WCTL"). WCTL's views on past rail mergers are well known and will not be repeated here.

A. Rail Service

Insofar as future mergers are concerned, Minnesota Power urges the Board to carefully consider potential service problems. Despite repeated representations of the involved merger applicants that service would improve as a result of their rail mergers, post-merger service after the UP/SP merger and the Conrail acquisition significantly deteriorated for many shippers.

¹ Minnesota Power is the complainant in a maximum "bottleneck" rate case now pending at the Board, No. 42038, Minnesota Power, Inc. v. Duluth, Missabe and Iron Range Railway Co.

Minnesota Power urges the Board to take a closer look at potential service problems in future merger cases, including the proposed merger of BNSF and CN, and to provide meaningful remedies for shippers who experience post-merger service problems.

B. Downstream Impacts

Minnesota Power applauds the Board's decision to look at the "downstream impacts" of proposed mergers. WCTL has long advocated this position.

Recent mergers have created enormous concentrations of market power in the rail industry. Rail transportation in the east and west is divided into two rail duopolies, BNSF and UP in the west, and CSX and NS in the east. Such market power concentration can lead to price increases and other duopoly-driven market abuses. Minnesota Power is particularly concerned about recent published reports that one or more of the Big Four Railroads may try to institute across-the-board price increase programs.²

Clearly, the Board must take a hard look, in future merger cases, to determine whether it is in the best interests of railroads, shippers and the public in general, to allow even more concentration in the rail industry. Should the Board, in any future merger case, decide that a new merger is in the public interest, the Board should carefully consider requests not only to preserve the pre-merger competitive status quo (as it now does), but also to actively promote post-merger intra-rail competition.

² See, e.g., Lawrence H. Kaufman, CSX Chairman sees 'a seller's market', Journal of Commerce Online (Jan. 31, 2000).

CONCLUSION

Minnesota Power again thanks the STB for the opportunity to present its views. WCTL will be presenting a witness at the oral hearing in this case and Minnesota Power fully subscribes to the views WCTL will present to the Board during these hearings.

Respectfully submitted,

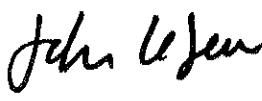
MINNESOTA POWER, INC.
30 West Superior Street
Duluth, MN 55802

OF COUNSEL:

Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Dated: February 29, 2000

By:

John H. LeSeur 
Peter A. Pfohl
1224 Seventeenth St., N.W.
Washington, D.C. 20036
(202) 347-7170

Attorneys for Minnesota Power, Inc.